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Wade S. Williams

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AICPA *Washington Report*

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COMMERCE, DEPARTMENT OF

President Carter's \$4 billion public works program was approved by Congress on 5/3/77. The legislation (H.R. 11) is intended to stimulate the economy through the creation of approximately 600,000 new jobs by making grants for local public works projects. The legislation was held up in Congress by disputes over provisions for grants for water pollution control projects, which were finally eliminated to enable passage of the bill.

COST ACCOUNTING STANDARDS BOARD

Comments are being solicited on a newly released draft Cost Accounting Standard on Accounting for Independent Research and Development and Bid and Proposal costs. The draft provides criteria and guidance for the establishment of cost pools for the allocation of IR&D and B&P costs, in addition to allocation of IR&D and B&P costs based on the existence of a beneficial or causal relationship between such costs and cost objectives, including the allocation of business unit IR&D and B&P cost to final cost objectives. Comments on the staff draft are due by 6/30/77. For further information contact Stanley Bell (202/275-5854) or C.G. Adams (202/275-5418).

ELECTRONIC FUND TRANSFERS COMMISSION

A meeting has been scheduled for 5/13/77 in Denver at the Federal Reserve Bank of Denver, beginning at 9:30 a.m. The purpose of the meeting is to review the Commission's work. An open "Public Interchange" meeting has been scheduled for 5/12/77, at the same time and location, to permit the Commission to gather the views of interested parties in the Denver area. For further information contact Ms. Janet Miller at 202/634-1746.

FEDERAL COMMUNICATIONS COMMISSION

Amendments to the accounting rules for telephone companies to reflect rate base prescriptions for certain plant and expense items have been proposed. Included in the proposal are provisions for the treatment of plants under construction, property held for future use, and payments for academic programs. In addition, the Commission proposed a 2-year limit on the time property may be held in the property for future use account as well as a requirement that telephone companies maintain operating expense accounts so that all payments to academic institutions and individuals for academic services can be identifiable by recipient and service performed. Comments may be filed until 6/13/77; copies of the proposal (Report No. 12917, 4/29/77) may be obtained by calling 202/632-7260.

FEDERAL ENERGY ADMINISTRATION

An industrial energy efficiency reporting form has been proposed (see 5/4/77 Fed. Reg., pp. 22581-88). The proposed form would be submitted by officers of energy-intensive corporations which are not part of an industry trade association which will submit reports to FEA on behalf of their respective members. The proposed forms require computations for each product or group of products by the reporting company within an identified industry. Comments are requested by 5/17/77, and hearings on the proposed form have been scheduled for 5/17/77 in Washington.

The President has forwarded legislative proposals to implement his comprehensive energy conservation plan announced April 20. The 283-page draft bill, which was introduced by House Majority Leader Wright (D-TX) as HR 6831, has been referred to the

House Commerce, Banking, Government Operations, Public Works, and Ways and Means Committees for a period ending not later than 7/13/77. As each committee completes consideration of its part, the bill will be referred to the Ad Hoc Energy Committee chaired by Rep. Ashley (D-OH). The bill has not yet been formally introduced in the Senate.

In conjunction with release of the legislation, the White House issued a 103-page booklet entitled "The National Energy Plan". The booklet details the major elements of the Administration's proposals, explaining the reasons behind the proposals and their objectives. Copies of the booklet are available from the GPO (S/N 040-000-00380-1).

Final amendments to the mandatory petroleum price regulations to allow small resellers and retailers of propane, butane and natural gas the option of passing through without regard to any cents per gallon price limitation certain defined non-product cost increases appeared in the 5/2/77 Fed. Reg., pp. 22131-34. The amendment also allows resellers and retailers to use the standard mark-up currently applied to sales of propane to reflect non-product cost increases of propane. Large resellers are required to use the former method. These amendments were made effective 5/1/77.

FEDERAL POWER COMMISSION

Notice terminating the proposed rulemaking with respect to fuel adjustment provisions appeared in the 5/5/77 Fed. Reg., pp. 22897-900. The notice states that field audits following the issuance of the notice of proposed rulemaking did not reveal any substantial overcharges and since there are no specific allegations of abuses in the administration of the fuel adjustment clause, the proceedings were terminated. The Commission will continue to monitor for abuse in the procurement of fuel and the administration of fuel adjustment clauses.

FEDERAL TRADE COMMISSION

A proposal to protect the identity of persons who communicate with the Commission in confidence concerning suspected violations of law appeared in the 5/5/77 Fed. Reg., p. 22897. The rule, which would still permit the Commission to refer complaints to other agencies, is intended to encourage the just settlement of consumer disputes. Comments are requested by 6/6/77. For further information contact Barry Rubin at 202/523-3865.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

A new survey conducted by the Health Care Financing Administration shows that \$9 of every \$100 paid by States for Medicaid services is spent in error--principally due to ineligibility of recipients. The new Administration, which combined Medicaid and Medicare, will focus its efforts on controlling costs and improving care, which means reducing errors drastically through such methods as computerized systems which can identify a potentially ineligible applicant or a provider who may be abusing the system, a national exchange of information on error reduction, and federal assistance in fitting corrective plans into State operations.

LABOR, DEPARTMENT OF

Ian David Lanoff has been appointed Administrator of Pension and Welfare Benefit Programs. Mr. Lanoff, who succeeds William J. Chadwick, has been associate counsel for the Senate Human Resources Subcommittee on Labor and previously was general counsel for the United Mine Workers' health and retirement fund.

Publication of regulations on filing and distributing summary plan descriptions is being delayed. The delay is due to the large number of comments received on the interim regulations issued in March. At the same time, DOL announced that it is extending the deadline for distributing summary plan descriptions from 7/15/77 until 9/30/77. More than 200 comments on the regulations have been received in the last three weeks.

OFFICE OF MANAGEMENT AND BUDGET

An inventory of organizational units within the Executive branch has been issued as part of the President's Reorganization Project. The inventory was developed to establish a base list for the Reorganization Project and it displays the organizational units which will be addressed by the project as it commences work. The Project is requesting interested parties to review and comment on the program, and copies of the document may be obtained by calling Christopher David at 202/395-6101 or Bob Cramer at 202/395-5180.

A computerized system to monitor the cash flow and spending activities for each domestic funding program of the federal government has been developed by the Agriculture Department's Rural Development Service. The system will be proposed soon as a means of fulfilling the financial output requirements of the proposed Federal Program Information Act (S.904), sponsored by Sens. Roth (R-DE) and Kennedy (D-MA). The proposed system would provide specific, detailed information on any program at the county and congressional district level; i.e., it would pinpoint and monitor the person responsible for transactions such as the allocation of program funds, the obligation of those funds, the outlays made, and the recording of the number and "dollar amount" of applications for funding that have been accepted.

PENSION BENEFIT GUARANTY CORPORATION

Nationwide briefings for pension plan professionals will be held this month to cover 3 topics: proposed regulations on valuation and allocation of assets of terminating plans funded through insurance contracts; Guidelines on Voluntary Terminations; and an update on PBGC operations. The dates and locations of the briefing sessions are as follows: 5/18-Washington, D.C. and Seattle; 5/19-Atlanta and Los Angeles; 5/20-Houston and San Francisco; 5/23-Boston and Kansas City, MO; and 5/24/77-New York and Chicago. Attendance will be limited to 150 persons per location. For additional information call 202/254-4817.

RENEGOTIATION BOARD

Legislation to extend and strengthen the Renegotiation Act has been ordered reported by the House Banking Committee. At a mark-up session last Wednesday on HR 5959, the Committee defeated an amendment by the bill's sponsor, Rep. Minish (D-NJ), to make the Board permanent and instead approved a five-year extension of the Board. An amendment to the bill which was approved will make product line reporting mandatory for all contractors and subcontractors whose annual aggregate amounts received or accrued exceeded \$10 million. The Board is given discretion to waive such reporting between \$4 million and \$10 million. In addition, the report on the bill will contain language providing the Board discretion as to the extent and depth of auditing required of various contractor filings.

SECURITIES AND EXCHANGE COMMISSION

A revised proposal to issue a new rule under Rule 3-16 of Regulation S-X was announced in Rel. 33-5825, 5/2/77. The revisions to an earlier release issued in January 1976 would require only commercial and industrial companies to disclose investment

concentration in marketable securities and other security investments since other registrants are required to provide the same or similar information under other rules. The new proposal also clarifies the term "issuer", and changes the test for significance to 1% of total assets rather than 5% of stockholders' equity. The time for comment ends 6/30/77.

In two related releases, amendments to the financial and operational reporting requirements known as the FOCUS reporting system were adopted, and additional clarifying amendments proposed (Rel. Nos. 34-13461 and 13462). The finalized amendments were originally proposed in January 1977, and are designed to facilitate an application of a streamlined system of reporting and achieve a further reduction in the quantity and frequency of reports which must be filed by brokers and dealers. The proposed amendments are intended to revise the form in accordance with amendments to the Commission's financial responsibility rules and to clarify certain line items and instructions in Form X-17A-5. Also included were proposed guidelines for use in preparing the form, the proposal of a facing page for the annual audited report, and the republication of the annual Consolidation and Diversification schedule. Comments on the proposals are due by 5/30/77.

The illegal payments bill was passed unanimously by the Senate late last Thursday. The bill (S.305) requires registrants to keep accurate books, records and accounts, and to maintain an "adequate system of internal accounting controls." In addition, the bill prohibits knowing falsification of a company's books and records, and makes it a crime to knowingly mislead auditors through a statement or conscious omission of material facts. Another section of the bill strengthens the disclosure and ownership reporting requirements for domestic and foreign investors who hold more than 5% of the shares in a U.S. company.

TREASURY, DEPARTMENT OF

Conferees completed work last week on the President's tax stimulus package. As approved by the Conference Committee, the investment credit increase from 10% to 12% was dropped, but the business employment tax credit for hiring new workers was retained. Under this provision, an employer will be eligible for a credit of up to \$2,100 for each new worker hired in 1977 and 1978, after his total payroll has grown 2% from the previous year. The bill also makes the standard deduction a flat \$2,200 for single taxpayers and \$3,200 for married couples filing jointly. Provisions from another bill (HR 1828) were incorporated restoring the sick pay exclusion through 1976, giving overseas employees of U.S. companies one year's relief from the new tax treatment passed in the Tax Reform Act of 1976, and relieving individual and corporate taxpayers of interest and penalties due to the changes under last year's Tax Reform Act.

Although the White House is reportedly unhappy with the employment tax credit, no announcement has been made as to whether the President will veto the bill if it passes in its present form.

A technical amendments bill (HR 6715) has been introduced by Chairman Ulman (D-OR) of the House Ways and Means Committee. The technical amendments are intended to clarify and conform various provisions adopted by the Tax Reform Act of 1976. The committee has announced that it will begin hearings on the bill some time in July. A committee print prepared by the Joint Committee on Taxation describing the technical amendments and their effect is available by calling the Ways and Means Committee, 202/225-3625.

Hearings to investigate the problems of small business and low-income taxpayers in dealing with the tax laws and the IRS, particularly in audit situations, will be

held 5/12/77 by the House Ways and Means Oversight Subcommittee. The hearings, which are the third in a series of hearings concerning IRS audit procedures, will begin at 8:30 a.m. in Room 1102 of the Longworth House Office Building.

Dr. Bernadine Newsom Denning has been appointed Director of the Office of Revenue Sharing. Dr. Denning has managed the Title IV Civil Rights Office of the Detroit Public School system since 1975, and has a background of teaching at the secondary and university levels. She has been an administrator in the Education Departments of the University of Michigan, Shaw College and Lewis Business College.

SPECIAL: 1977 JOINT ECONOMIC REPORT

The annual report of the Joint Economic Committee has been released. The report is intended to serve as a guide to the several committees of Congress dealing with legislation relating to economic issues. The 1977 report surveys recent economic developments, the outlook for 1977 and 1978, the goals of economic policy, economic policy in 1977 and 1978, and meeting the goals of budget policy in the long run. In an analysis of the Council on Wage and Price Stability, the report recommends legislation authorizing the Council to require prenotification of planned price increases from selected industries and to delay for "modest periods" wage or price increases which would have serious inflationary effects on the economy. Copies of the report are available from the GPO (S/N 052-071-00516-1) for \$2.50 each.

For further information contact:
Wade Williams or Dan Myers
202/872-8190

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American Institute of Certified Public Accountants

1620 Eye Street, N.W., Washington, D.C. 20006

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